Greg: Ladies and gentlemen, welcome to the conference call. To recall, all participants are in listen only mode. Afterwards there will be a question and answer session. I am now pleased to give the floor to one of the speakers. Mr. Mohamad Haidar. Sir, please go ahead.

Mohamad Haidar: Good morning, everyone. Welcome to the ENBD REIT, September 30, 2019 update hosted by Arqaam Capital. This is Mohamad Haidar from Arqaam Capital. I'm joined today by Mr. Anthony Taylor, Head of Real Estate the ENBD REIT, and Mr. Asif Siddique, CFO. I will now hand over the call to Mr. Anthony. Please go ahead.

Anthony Taylor: Thank you, Mohamad. As you introduced, I am Anthony Taylor, Head of Real Estate and I am joined by Asif Siddique, ENBD REIT's CFO. Before we discuss the announcement we made yesterday in relation to our intention to restructure, we'd like to take you through a snapshot of the REIT. You will have the presentations which were attached with the dial-in details. We are starting on slide 4 where we highlight some of ENBD REIT's key metrics as at 30th September 2019. As you can see, the numbers have remained reasonably stable. The property portfolio value stands at USD 435 million, compared to USD 437 million at the end of previous quarter, with a diverse portfolio totalling 11 properties across office, residential and alternative sectors. There has been downward pressure in what remains a soft local real estate market, but on balance we think that the value of our holdings has so far proved robust – mainly due to their diversity

Anthony Taylor: In terms of portfolio composition, our assets remain 64% office, 18% residential, and 18% alternative. Occupancy in the portfolio is at 80%, which is down 2% from the previous quarter due to increased vacancies in certain properties. The loan to value ratio and WAULT has remained steady since our last update at 42% and 3.47 years respectively. ENBD REIT's NAV now stands at USD 254 million or USD 1.02 per share cum dividend and 99.65 cents per share when the dividend is paid on 17th December. NAV is down slightly from the previous quarter when it was USD 255 million, which we again consider reflective of resilience in the portfolio in the face of difficult market conditions.

Anthony Taylor: Slide five provides a brief reminder of dividend payments made to shareholders for this 6- month period, the board of directors had approved an interim dividend of 1.96 cents per share from the net rental income generators in the portfolio. The approved interim dividend will be paid on the 17th of December to shareholders of ENBD REIT as at the record date of the 5th of December as per our previous announcements.

Anthony Taylor: At this stage, I would like to point out that while dividends have declined over time in line with pressure on rental income, one of the main challenges faced by the REIT has been consistent downward pressure on share price creating a wide discount to NAV. A number of measures were put in place to address this, including a share buy-back programme as well as a strong focus on active asset and balance sheet management. With the market conditions expected to prevail for the foreseeable future, the Board and Management undertook a comprehensive review of strategic alternatives to maximize long-term value for shareholders.

Anthony Taylor: This process led to the decision to proceed with a formal restructuring of the REIT, which includes moving from a publicly listed entity to a privately held REIT. We believe that this decision is in the best interest of shareholders who stand to realise greater value from holding equity in the REIT – valued according to NAV – for a fixed term. We are now in discussions with the regulator and other relevant stakeholders, and the proposed restructuring and future share transfer mechanisms will be submitted for shareholders' approval at an EGM, which we will announce before 23rd January 2020. The rationale for engaging in this process is to remove the disproportionate discount that exists between share price and NAV and thereby realise greater value for our shareholders. We'll go into more detail and answer questions around the restructuring process, to the extent that we are able to disclose, at the end of the presentation.

Anthony Taylor: On slide 7 we have provided a short summary of the now-complete share buyback programme earlier this year. The programme was placed on hold during our close period from 1st of April to the announcement of our year-end financial results and was then resumed and 100% executed by 9th September. A total of 4.4 million shares were purchased at an average price of 58.1 cents per share and the purchased shares were subsequently cancelled, thereby adding USD 2.1 million in additional value to remaining shareholders. We consider the buyback programme to broadly have achieved its objectives, particularly in protecting against disproportionate movements in the share price caused by small trades, as well as for improving the liquidity of the stock during this period. However, it did not materially improve the share price. I'll hand over now to Asif to take us through the NAV highlights and our capital structure.

Asif Siddique: Thanks Anthony. Moving on to the NAV highlights on slide 8, as you can see our property portfolio value stands at USD 435 million, compared to USD 437 million at the end of the previous quarter, and we are holding approximately USD 11 million in cash. The Gross Asset Value stands at USD 436 million for the period ended 30th September 2019, with the NAV for the period at USD 254 million, or USD 1.02 per share, down slightly from the previous quarter's NAV of USD 255 million. As per the latest financials, the REIT's Net Rental Yield on NAV is at 3.93% annualised, and the number of shares in issue after the share buy-back is exactly 250 million.

Asif Siddique: Looking at the REIT's capital structure on slide 9, as we announced in earlier periods, we have secured more competitive financing facilities, reducing our cost of borrowing, which is the largest single cost for the REIT. With the Standard Chartered facility secured in 2018, we have favourable terms of 3-month LIBOR +2.15%. In 2019, we also announced a facility from Mashreq Bank with favourable terms of 3-month EIBOR +2.65%, which is expected to reduce our cost of borrowing in the future. Both facilities have enabled us to partially refinance a previous facility, with further drawdown available to support our strategy to acquire additional properties in the short term. At a current LTV of 42% we have room to increase our leverage within regulatory limits, when fully drawn. I'll now hand back to Anthony to take us through the property portfolio.

Anthony Taylor: Thanks, Asif. Moving on to discussion on the portfolio in slides 11 and 12, you can see that our holdings remain well-diversified with no acquisitions or disposals having taken place since the last update. Portfolio allocation remains steady. In terms of that allocation, you'll see from these pie charts that diversification is at the heart of our investment strategy and remains a key focus for management.

Anthony Taylor: The alternative portion of the portfolio which is currently 18% is becoming particularly important given challenges in the residential and to a lesser extent the office markets. Our alternative assets include student accommodation, education and retail. We have been looking to increase our allocation in these asset classes. The office sector remains our biggest holding at 64% with residential at 18%. We won't spend much time on slide 12 which provides a breakdown of asset value and growth rate for income for each property owned by the REIT and from which you can see the lion's share is held by some of our flagship office properties including The Edge building and Burj Daman in the DIFC. Slide 13 shows robust occupancy of 80% across the portfolio, although it has experienced some downward pressure, driven by both residential and office vacancies.

Anthony Taylor: Notably, we have seen considerable pressure in our Al Thuraya and DHCC 25 assets. In the case of some properties, rental rate adjustments have been necessary to safeguard occupancy, and we expect to see occupancy improve in the near-term, albeit at lower rental levels, especially in the case of residential properties. This is, of course, heavily influenced by prevailing market conditions, which remain challenging. In some assets we are introducing value-added solutions, such as complimentary shuttle services, short-term holiday leases, and relocation expense coverage for residential tenants, which we believe will help drive occupancy and safeguard healthy income.

Anthony Taylor: Al Thuraya 1 stands out most, the result of Huawei's relocation to their own purpose-built regional head office in May 2019. We're working closely with Tecom to re-let the vacant units and are looking at enhancement opportunities for the building to take advantage of lower occupancy while making it more attractive to prospective tenants.

Anthony Taylor: We're now on slides 14 and 15, and I think it is fair to say that, on a portfolio basis, valuations have held up reasonably well in difficult circumstances. Residential valuations have been hit the hardest in recent quarters, while there has been a more modest downward trend for office valuations. At this point it is appropriate to reiterate again the importance our commitment to diversifying the portfolio. In contrast to other asset segments, our alternative properties have all achieved valuation gains since acquisition, which is further evidence that we need to be seeking to acquire alternative assets that show the best potential for high occupancy levels, long-term lease agreements and diversification.

Anthony Taylor: We'll look at the portfolio segments in more detail on slide 16 and 18 starting with the office properties. As mentioned, we are starting to see pressures come through in the office market. Al Thuraya 1 in Dubai Media City still has the most significant share of our total portfolio value at 19% although it is experiencing pressure on occupancy and valuation, while The Edge accounts for 18% of total value and currently benefits from 100% occupancy

Anthony Taylor: WAULTs in the office portfolio are mostly strong with Burj Daman and DHCC 25 at 3.23 and 2.04 years respectively. While overall office portfolio occupancy is healthy at an average of 74%. Gross rental yield from the office segment is steady at 7.6% just below the portfolio average. Moving onto the residential portfolio. The segment remains under pressure and while reduced rental rates have been successful in maintaining occupancies, the approach has put valuations under pressure.

Anthony Taylor: As is the nature of residential assets, WAULT in this part of the portfolio is lower than the average at less than one year with higher gross rental yields for the segment at 8.2%. On slide 18, we look at the alternative portfolio. With longer term leases, the segment continues to perform well at 99% occupancy and growth through acquisitions of alternative assets is a high priority for management in the coming months. I'll now hand back to Asif to take you through the financials.

Asif Siddique: Thanks, Anthony. On slide, 20 we look at key themes in financial performance that have emerged during the reporting period. In summary, these include; net rental income or funds from operations, which is down by 7.8% from the previous six-month period while gross income is down by 6.6%; the cash return on NAV is stable despite soft real estate market conditions; unrealized valuation losses have negatively impacted net income.

Asif Siddique: Moving on to financial performance on slides 21 and 22, we have provided a summary for first half 2019, compared to first half 2018. Gross income has decreased by 5.6% due to soft real estate market conditions, where maintaining residential rents is the biggest challenge and occupancy in Al Thuraya Tower also had a negative impact

Asif Siddique: Meanwhile, expenses have increased by 16% mainly due to higher interest rates as a result of increasing EIBOR rates following a series of Fed hikes in 2018 as well as amortization of the arrangement fee for the previous debt facility, which is 100% charged during this period. Going forward following recent Fed cuts, we expect our cost of debt to come down. Our net rental income or FFO has decreased to $4.9 million while our net losses have increased to $10 million on the back of 3.3% valuation loss at portfolio level.

Asif Siddique: Moving onto next slide, you get a clearer picture of our expenses for the six-month period on a year on year basis. Operating expenses increased by 3% while fund expenses decreased by 10%. However, total financing costs have increased for the reasons explained previously. In the appendix, you will find a more detailed summary of our financials during our statement of financial position and statement of comprehensive income. I'll now hand back to Anthony for some closing remarks.

Anthony Taylor: Thanks, Asif. This concludes the presentation, so I'd like to add a few comments to address some of the key issues for today's discussion. Firstly, on the market and our portfolio. The outlook for 2020 remains challenging and we are likely to see continued soft real estate market conditions, but with the initiatives we've taken to build resilience in the portfolio, we believe that the REIT is well placed to weather these headwinds, and to realise an uptick in valuation when market sentiment improves. Perhaps most importantly, we remain committed to diversifying the property portfolio, especially into alternative asset classes, where we believe there is considerable value. Before we open the call to a Q&A, I'd like to proactively address some of the obvious concerns around the intended restructuring and a number of these questions have been posed to us over the last few days.

Anthony Taylor: Firstly, what assurances can we provide shareholders that they can still exit their positions now or prior to restructuring or increase their position should they wish to do so? Our response on this is the exact process and timeline for converting into a privately held REIT will be explained in more detail when we issue the EGM notice. But until such time when the restructuring is approved by shareholders and the regulator, the REIT remains a publicly listed vehicle that can be traded on the NASDAQ Dubai. This means that shareholders or prospective investors can deal in ENBD REIT's shares. After the restructuring is approved by shareholders, there will be a period during which the REIT will continue trading. That period will be defined in the EGM notice. In short, the restructuring will take some time to come into effect and that time will be sufficient for shareholders to review and adjust their positions as they see fit. Post-restructuring, we are looking at options for over the counter dealing so that shareholders can exit the REIT subject to identification of a potential buyer at a negotiated price.

Anthony Taylor: Another question we may be asked is, since we are restructuring, why not exit the real estate portfolio now and liquidate fully? The simple answer to this is that we are seeking to benefit shareholders. While the share price discount NAV is unacceptably wide, NAV is also under pressure in a soft real estate market. The portfolio has shown considerable resilience to market conditions. But we think that as we come out of the current cycle, there'll be value to be realized from our holdings. We therefore believe it's better to transition to a fixed-term structure that will see us dispose of assets over a defined period, maximizing potential for returns. We're currently generating rental income, which we'll continue to distribute in the form of dividends to shareholders while market conditions are not conducive to disposing of assets.

Anthony Taylor: We appreciate the time you've taken to join us today. We're always grateful for the feedback. We'll now open the floor to any further questions.

Greg: Thank you, ladies and gentlemen, the Q&A session starts now. If you wish to ask a question, please press 01 on your telephone keypad. Please be informed that there might be a short silence while questions are being registered. We have our first question from Helena Fonsac from National Investor, go ahead.

Helena: Hi, good afternoon, guys. Just a quick question on dividends for 2020 in light of FFO kind of dropping below the $5 million mark to date. What does it look like for 2020 in terms of payout ratio, etc., assuming the portfolio doesn't have any sort of material changes to it.

Anthony Taylor: So in terms of the payout ratio, we are committed to 100% of the FFO or net rental income generated. The portfolio has had a single large shock with Huawei vacating. But besides that, it's remained fairly consistent in terms of its ability to generate. We'd like to see that going forward as well. The share capital structure that we amended at the end of last year allows us to distribute the FFO regardless of movement in valuation. So we can commit to that in the short term.

Helena: And just a follow up question, in terms of the debt facilities that the REIT currently has, what are the covenants of that debt? Are there any sort of material risks in terms of servicing it over the coming 12 months?

Anthony Taylor: No, I think just in terms of the covenants, those are in line with the regulatory requirements. It's obviously 50% LTV across the portfolio. Both the facilities are profit only. We are well within those covenants at the moment. So we don't anticipate any challenges there? Asif, anything to add?

Asif Siddique: No, no, that's all.

Helena: Thank you.

Greg: Thank you. We have another question from John Mailibay from Hemrick Anbelik Bank, please go ahead. The microphone is open.

John Mailibay: Yeah. Sorry I was on mute, apologies. I just want to make sure that I understand the process of what happened if you want to associate after it's delisted, what would be the process?

Anthony Taylor: Yes. The structure that we are investigating at the moment is still under negotiation. So we will definitely come back with more color when we send out the notice for the shareholders meeting at the EGM, which is expected to come out in early January. But our intention at the moment is to be a privately held company with an off-market mechanism to transfer shares on a mass bargain basis, which means if there is a potential seller, there needs to be a potential buyer. We can match them together off the market. The NASDAQ Dubai does actually offer a service that that facilitates that which we'd be looking to explore as well.

John Mailibay: Okay, thank you.

Anthony Taylor: Just to be clear, that'll be separate from the exchange.

John Mailibay: Understood. Thank you.

Greg: Thank you. We don't have any more questions for the moment. Ladies and gentlemen, if you wish to ask a question, please press zero and one on the telephone keypad, it's 01 on your telephone keypad. We have a new question from Hussain Rakabon Bupa Arabia. Please go ahead.

Hussain Rakabon: Yes. Hello, gentlemen. I was just wanting to know is will there be any material changes to the overall REIT strategy now that you're moving forward as a privately held structure?

Anthony Taylor: Not necessarily. No. I think our investment strategy still remains. We have debt facilities available at competitive rates. There are good opportunities in the market to invest into that alternative after class. So we're busy working through a few of those opportunities now, and we could expect to announce them in the new year. Going forward again, the portfolio is stable. We are looking for market conditions to improve. Then provided we get the shareholders' approval and we change the strategy, we would look to be exiting some of our holdings in the future.

Hussain Rakabon: All right. Thank you.

Greg: Thank you. We don't have any more question for the moment. Should you wish to ask a question, please press 01 your telephone keypad. I think. Mr. Mohamad Haidar you can ask a question.

Mohamad Haidar: Thank you, Greg. Anthony, is there a mechanism to protect minority shareholders during the delisting? So will everyone have to sell before the delisting day?

Anthony Taylor: There are a few mechanisms in place, Mohamad. First of all, the requirement for this process to go forward needs shareholders' approval and via a special resolution. So that 75% of the shareholders need to vote in favor for this to be passed to move forward. The feedback we've had from large and smaller shareholders has been favorable. So we anticipate that this movement, this proposal will get passed. But it still remains subject to that approval at the EGM. Subsequent to that approval, it is a regulatory requirement that there is a period of trading available to shareholders who may wish to exit before a delisting a structure, a privately held structure begins. So again, they will have that certainty on the decision and the ability to trade during that period.

Mohamad Haidar: If the minority decides not to sell, they'll become shareholders of a private company?

Anthony Taylor: Yes, that's correct. Provided that the majority has approved.

Muhammad Haida: Understood. Thank you.

Greg: Thank you. We have a new question from Shirmax Detenperma from Zemin Holding Please go ahead.

Shirmax Detenperma: Yes, thank you. Will there be a difference in the dividend payouts once the company does go private? Will there be payments in terms of a hundred percent FFO or how will it be structured? Thank you.

Anthony Taylor: Sure. No, it's a good question. Look, our commitment is to keep everything as consistent in the new structure as it is with the old structure except for the fact that one was publicly listed and the other becomes privately held. The dividend payouts, at the moment, we've made 100% of FFO payouts throughout the life as a listed entity. We would continue to maintain the 80% as a minimum, but we would push it to a hundred as far as practically possible, within all the covenants. So I think shareholders can have comfort that in terms of a product, it will continue to operate in much the same way that it's been operating up until now.

Asif Siddique: Just for reference, this point, it's going to remain the same six monthly interim dividend.

Mohamed Haidar: Sorry again, I didn't get the last point.

Asif Siddique: So the half yearly dividend will remain the same. So interim dividend will be paid at the end of six months period.

Anthony Taylor: Or the final dividend at the end of the year.

Greg: Thank you. We don't have any more questions for the moment. Ladies and gentlemen, if you wish to ask a question, please press 01 on your telephone keypad. We don't have any more question. Maybe you Mr. Mohamad Haidar, you have any question?

Mohamad Haidar: Thank you, Greg. I have no questions from my side. Anthony and Asif, do you want to add anything before we wrap up?

Anthony Taylor: No. Thank you, Mohamad. I just want to thank everyone for joining the call. We'll obviously keep the market informed of further announcements that will come out in due course.

Mohamad Haidar: Thank you, Anthony. Thank you, Asif, and thank you everyone.

Anthony Taylor: Thank you.

Asif Siddique: Thank you.

Greg: Thank you, ladies and gentleman. This concludes today's conference call. Thank you all for your participation. You may now disconnect your lines.